

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, "Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$1,033,307,295 difference are as follows:

Bonds payable	\$ 850,188,951
Less: Deferred charge on refunding (to be amortized as interest expense)	(11,859,982)
Deferred charge for issuance costs (to be amortized over life of debt)	(3,041,708)
Plus: Unamortized premiums on bonds sold	19,407,827
Claims/Judgments payable	23,382,762
Accrued interest payable	6,235,529
Capital leases payable	81,677,093
Compensated absences	63,873,824
Unemployment compensation payable	2,275,000
Rebatable arbitrage	<u>1,167,999</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ 1,033,307,295</u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$117,859,749 difference are as follows:

Capital outlay	\$ 150,708,034
Depreciation expense	<u>(32,848,285)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 117,859,749</u>

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NOTE 2 – CONTINUED

Another element of that reconciliation states, "The net effect of various miscellaneous transactions involving capital assets (e.g., sales, trade-ins, and donations) is to increase net assets." The details of this \$80,868,622 difference are as follows:

In the statement of activities, only the gain on the sale of capital assets is reported. In the governmental funds, the proceeds from the sale increase financial resources. The change in net assets differs from the change in fund balance by the book value of the capital assets sold.	\$ (6,021,318)
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	<u>86,889,940</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 80,868,622</u>

Another element of that reconciliation states, "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds." The details of this \$1,374,721 difference are as follows:

Property tax accrual	\$ 87,230
Surface Water Management service charge accrual	(134,785)
Probation and Parole service charge accrual	843,690
Work Release service charge net accrual	23,717
Fines and Forfeits net accrual	<u>554,869</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 1,374,721</u>

Another element of that reconciliation states, "The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$33,034,603 difference are as follows:

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NOTE 2 – CONTINUED

Debt issued or incurred	
Issuance of general obligation bonds	\$ (36,140,909)
Issuance of refunding general obligation bonds	(127,753,742)
Capital lease financing	(47,662)
Premium on bonds issued	(12,067,686)
Bond issuance costs	994,516
Principal repayments	65,149,517
Payment to escrow agent for refunding	<u>142,900,569</u>
Net adjustment to increase <i>net changes in fund</i> <i>balances – total governmental funds to arrive at</i> <i>changes in net assets of governmental activities</i>	<u>\$ 33,034,603</u>

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$28,543,600 difference are as follows:

Claims and judgments	\$ (23,382,762)
Compensated absences	(8,057,127)
Accrued unemployment compensation	(743,385)
Accrued rebatable arbitrage	2,146,778
Accrued Interest	716,230
Amortization of issuance costs	(341,547)
Amortization of deferred charge on refunding	(1,785,973)
Amortization of bond premiums	<u>2,904,186</u>
Net adjustment to decrease <i>net changes in fund</i> <i>balances – total governmental funds to arrive at</i> <i>changes in net assets of governmental activities</i>	<u>\$ (28,543,600)</u>

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NOTE 2 – CONTINUED

Another element of that reconciliation states, "Net revenues and expenses of certain activities of internal service funds are reported with governmental activities." The details of this \$1,070,899 difference are as follows:

Investment interest earnings	\$ 3,121,327
Revenues related to services provided to outside parties	1,824,552
Expenses related to services provided to outside parties	(1,828,628)
Loss on disposal of capital assets	(83,457)
Interest on long-term debt	(229,540)
Capital contributions	417,402
Transfers in	1,531,605
Transfers out	(3,331,857)
Internal service fund profits allocated to governmental activities	<u>(350,505)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ 1,070,899</u></u>